



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HOPKINS COUNTY CLERK**

**Calendar Year 1999**

**EDWARD B. HATCHETT, JR.  
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**EXECUTIVE SUMMARY**  
**HOPKINS COUNTY**  
**DEVRA STECKLER, COUNTY CLERK**  
**CALENDAR YEAR 1999**  
**FEE AUDIT**

**Type of Opinion:**

We have issued an unqualified (clean) opinion on the County Clerk's financial statement.

**Comments:**

The County Clerk Should Have Required Depository Institutions To Pledge Additional Securities Of \$173,397 As Collateral To Protect Deposits

**Financial Statement:**

Excess fees of \$866,914 have been remitted to the Fiscal Court.

**Notes to the Financial Statements:**

The fiscal court has established fee pooling for the County Clerk's office.

The County Clerk received a Library and Archives Grant from the state, but made no expenditures during the year.

**Appendix A:**

Letters from County Clerk and Depository Institution



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HOPKINS COUNTY CLERK CHECKING ACCOUNT REQUIREMENTS AND DEPOSITORY INSTITUTION AGREEMENT LETTER	





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Richard Frymire, Hopkins County Judge/Executive

Honorable Devra Steckler, Hopkins County Clerk

Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Hopkins County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Richard Frymire, Hopkins County Judge/Executive  
Honorable Devra Steckler, Hopkins County Clerk  
Members of the Hopkins County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Require Depository Institutions To Pledge Additional Securities Of \$173,397 As Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated July 11, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 11, 2000



HOPKINS COUNTY  
DEVRA STECKLER, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

State Fees For Services		\$	30,666
Fiscal Court			85,759
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,155,106	
Usage Tax		4,559,894	
Tangible Personal Property Tax		2,684,048	
Marriage License		16,767	
Deed Transfer Tax		86,173	
Delinquent Tax		168,301	
			8,670,289
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	30,215	
Real Estate Mortgages		62,043	
Chattel Mortgages and Financing Statements		142,215	
Powers of Attorney		2,488	
All Other Recordings		75,613	
Charges for Other Services-			
Candidate Filing Fees		200	
Copywork		11,398	
			324,172
Other:			
Postage	\$	2,458	
Returned Checks Collected		4,922	
			7,380
Interest Earned			14,087
Gross Receipts (Carried Forward)		\$	9,132,353

HOPKINS COUNTY  
DEVRA STECKLER, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Gross Receipts (Brought Forward) \$ 9,132,353

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 876,934	
Usage Tax	4,411,163	
Tangible Personal Property Tax	983,069	

Licenses-

Marriage	6,561	
Delinquent Tax	44,820	
Legal Process Tax	38,347	
Candidate Filing Fees	180	\$ 6,361,074

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 209,348	
Delinquent Tax	21,286	
Deed Transfer Tax	81,699	312,333

Payments to Other Districts:

Tangible Personal Property Tax	\$ 1,383,117	
Delinquent Tax	83,521	1,466,638

Payments to Sheriff 3,885

Payments to County Attorney 140

Operating Disbursements:

Other Charges-

Postage	\$ 184	
Refunds	40,992	
Returned Checks	5,762	46,938

Total Disbursements 8,191,008

Net Receipts (Carried Forward) \$ 941,345

DEVRA STECKLER, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Net Receipts (Brought Forward)		\$ 941,345
Less: Statutory Maximum	\$ 70,143	
County Clerk's Training Incentive	<u>688</u>	<u>70,831</u>
Excess Fees		\$ 870,514
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 1999		\$ 866,914
Payments to County Treasurer - Monthly		<u>866,914</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Fee Pooling

The Hopkins County Fiscal Court approved a fee pooling system for the County Clerk. Under the fee pooling system, revenues net of direct expenses of the County Clerk's office are paid to the County Treasurer the subsequent month. Therefore, the county pays all the expenses of the County Clerk's office.

D. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HOPKINS COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, on of April 6, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$173,397 of public funds uninsured and unsecured. In addition to the required collateral security agreement, the County Clerk had an agreement with the depository institution that required a minimum amount of pledges be maintained, and the depository institution failed to maintain the required amount of pledges. (See Appendix A for full text of agreement)

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$21,132 in calendar year 1997. The unexpended grant balance as of January 1, 1999 was \$22,146. Receipts for calendar year 1999 were \$620, which consisted solely of interest earned. There were no expenditures during calendar year 1999. The unexpended grant balance is \$22,766 as of December 31, 1999.

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COMMENT AND RECOMMENDATION





HOPKINS COUNTY  
DEVRA STECKLER, COUNTY CLERK  
COMMENT AND RECOMMENDATION

Calendar Year 1999

The County Clerk Should Require Depository Institutions To Pledge Additional Securities Of \$173,397 As Collateral To Protect Deposits

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On April 6, 1999, \$173,397 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. In addition to the required collateral security agreement, the County Clerk had an agreement with the depository institution that required a minimum amount of pledges be maintained, and the depository institution failed to maintain the required amount of pledges. (See Appendix A for full text of agreement.)

*County Clerk's Response:*

*Although, I understand this is ultimately the responsibility of the Clerk's Office, I do feel that this was truly a misunderstanding with our bank agreement that was made; Am sure that this will not happen again.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Richard Frymire, Hopkins County Judge/Executive  
Honorable Devra Steckler, Hopkins County Clerk  
Members of the Hopkins County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hopkins County Clerk as of December 31, 1999, and have issued our report thereon dated July 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hopkins County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hopkins County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Richard Frymire, Hopkins County Judge/Executive  
Honorable Devra Steckler, Hopkins County Clerk  
Members of the Hopkins County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 11, 2000

HOPKINS COUNTY CLERK  
CHECKING ACCOUNT REQUIREMENTS  
AND  
DEPOSITORY INSTITUTION  
AGREEMENT LETTER

APPENDIX A

